

Read the fine print

As there is no common cargo insurance policy form, coverage can truly be customised to better fit a risk. But the entire management team should be involved in tailoring the fine detail, write Stephen Bruning and Richard Bridges.

If there is one thing we are all guilty of, it is not reading the fine print, and when it comes to insurance policies and certificates of insurance, this practice can turn the assumption of coverage into the possibility of an uncovered cargo claim.

Even when a cargo policy is scrutinised and reviewed, that review is often performed by just one individual. Management in finance, traffic, sourcing, risk, credit, and sales should all be made aware of the scope and breadth of the document that is essentially a contract between their company and the insurance provider they have entrusted to pay transit claims.

All-Risk or Institute Cargo Clause 'A' Cargo Insurance forms are the two most prevalent forms of cargo insurance in the marketplace. While it is generally known that both provide coverage for all risks of physical loss or damage to goods in transit, these types of cargo insurance and others contain several exclusions that supply-chain professionals must be aware of.

It is important to remember that a unique advantage to cargo insurance is that there is no common policy form and coverage can truly be customised to better fit a risk. Removal of some exclusions to transfer more risk to the insurer increases coverage and adds cost. Conversely, the addition of warranties and exclusions can limit coverage and reduce cost. Striking the balance that best suits a company's appetite for risk is the goal.

There are some cargo insurance exclusions common to almost any policy, and the following are a few examples of those that are often overlooked or misunderstood.

INSOLVENCY EXCLUSION. In no case will this insurance cover loss, damage or expense arising from insolvency or financial default of the owners, managers, charterers or operators of the vessel where the assured is unable to show that prior to the time of loading of the subject matter insured on board



The authors: Stephen Bruning, left, and Richard Bridges.

the vessel, all reasonable, practicable, and prudent measures were taken by the assured, its servants and agents, to establish the financial reliability of the party in default.

In today's economy, where the financial health of carriers is being tested, this clause may soon become a problem for those shippers who have tendered cargo to a carrier that was facing imminent bankruptcy or financial default.

Cargo may be abandoned on board a vessel or on shore while still under the control of the carrier, and should such cargo be damaged at that time, claims adjusters may conceivably try to deny a claim using this clause as the reason for denial. To avoid claim denials from this clause, monitoring of your carrier's financial health is of the utmost importance, and documenting such monitoring is a must. If you have the leverage, request financials of your carriers that do not publicly share financial information. Should such a claim occur, make sure your insurance provider is prepared to fight on your behalf.

WAREHOUSE TO WAREHOUSE or DURATION. Definitions vary for these clauses. However, most state that coverage ceases at a maximum of 60 days from the time goods are discharged from the overseas vessel.

Unfortunately, project cargo schedules are often delayed and cargo can sit at the port or an inland destination longer than 60 days.

Underwriters will likely extend coverage when required, although approval must be obtained before the expiry of the specific time limitation found in your policy. Therefore someone should be appointed to monitor cargo schedules. Failure to obtain approval in advance is likely to result in cargo claim denial.

Special consideration must also be made for cargo taken out of transit, such as a consolidation point or export packing facility where goods may sit for a period of time. A consolidation/deconsolidation clause extends coverage for this added exposure, and without this clause you are again in jeopardy of having a claim denied.

IMPROPER PACKING. In no case shall this insurance cover loss, damage or expense caused by the insufficiency or unsuitability of packing or preparation of the subject matter insured.

Simply put, underwriters will try to deny claims for goods that have been deemed to be improperly packed for their intended transit. While most project shippers are experienced in properly packing cargo for its intended transit, some subcontractors or vendors may not have the same experience, and if there are mission-critical components being sourced from these subcontractors or vendors, it is vital to ensure they are aware of this exclusion.

Even with the continued globalisation of supply chains, and better access to transportation resources, this exclusion remains one of the most common areas for claim denial.

The question most commonly asked in conjunction with this exclusion is: "Who determines improper packing?"

Following a claim for loss or damage, this is typically determined by a cargo surveyor who will assess the packing and compare it with industry standards. It is for this reason that it is vital to retain all damaged packing materials and to follow packing guidelines set by commonly recognised industry associations. For shippers who do not have the resources available within their organisation, professional export packers are the best option.

If you have subcontracted out packing, the packer should have proper liability insurance to pay for damages to the cargo while in its

Bruning plays safe with 'over-building'

Bruning International Corporation's project division recently moved several turbine engines to Bahrain for one of its top clients. Due to the sheer bulk and weight of these engines, proper crating was absolutely essential in order to avoid any possible damage which could have resulted in millions of dollars in insurance claims.

Stamped, heat-treated hardwood is used on all crating projects, as well as roper fasteners that will not tear through wood, along with high-strength Vapor Barriers to prevent punctures. Bruning's trademark 'over-building' of all crates compensates for any possible handling mistakes that occur during shipping.



Left: A vapour barrier is laid over the platform base prior to the engine being lowered onto it.

Right: Once the engine is set in place in a 20 ft container it is blocked and braced to ensure absolute stability. Far right: With a vapor barrier in place, the engine is secured to a platform with 4 x 6 blocking and eye bolts, which are then silicone sealed.



control, and for potential damages in transit that may have been caused by improper packing. Even though your cargo insurance would respond first in such a claim, giving your insurer the ability to subrogate against a negligent packer will significantly reduce the impact of a large loss under your policy.

As we have discussed in previous cargo insurance articles, a proactive approach to proper supply-chain risk management is the best medicine. An example of the level of protection in which a professional packer will add to a piece of cargo is illustrated in the panel.


While the importance of cargo insurance is understood, nobody wants a claim. So to avoid the devil hiding in the details, take the following steps to reduce your chances of problems when the inevitable cargo claim does occur:

1. Read your cargo insurance policy. Yes all of it.
2. Insist that your insurance provider meets with your entire management team to understand your transit risks, and later reviews the cargo insurance policy including all of the exclusions, warranties, and limitations.
3. Decrease the chance of a claim by taking

proactive steps to reduce loss or damage. Vet all subcontractors such as packers, truckers and carriers to ensure they will perform as advertised, and should the worst occur, make sure they have insurance to cover their mistakes.

4. Use cargo surveyors at time of packing, loading and unloading to verify the condition of the cargo, proper stowage,

and proper packing.

5. Remember, you get what you pay for so the chances are that rock bottom prices and low rates for cargo insurance mean less coverage, more exclusions and poor service. 

*Do you have a question for our insurance expert?
Contact us at editorial@heavyliftpfi.com*

Stephen Bruning, president of Bruning International Corporation, heads its crating and packing division. He has over 35 years of experience in the industry and personally oversees every aspect of operations. The late Donald Bruning, founder and former president of Bruning International, instilled in Stephen his number one philosophy, "Build it right the first time"! This mindset has been passed on to every Bruning employee and has earned the company the distinction of working closely with shippers and insurance companies.

Richard Bridges is vice-president of Roanoke Trade Services, Inc. located in its Boston, MA office. Rick is a graduate of the University of Rhode Island where he completed a BA in marine affairs and went on to complete an honours degree in maritime business and law at the University of Plymouth in England. Rick was one of the youngest insurance brokers to become tribalised with Lloyd's of London and he holds full underwriting privileges on cargo insurance risks. Rick specialises in the customisation of supply chain insurance and surety solutions backed by major international insurance companies. He currently manages cargo insurance and bond programmes for various shipper associations and manufacturing groups; Rick also works closely with freight forwarders and customs brokers to design programmes that best suit their clients' needs. Notable achievements include providing cargo insurance to the United Nations on the first democratic election ballots shipped into Iraq, customising delay coverage for various project shippers, and management of cargo insurance programmes for several Fortune 1,000 companies. Roanoke Trade is a member of Munich Re and the Watkins Syndicate at Lloyd's of London. An underwriting agency and broker with 12 US locations and resources worldwide, Roanoke Trade has been providing transportation-related insurance solutions since 1935.

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